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## Global Professional Service Firms and the Challenge of Institutional Complexity: 'Field Relocation' as a Response Strategy

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**ABSTRACT** In this paper we use the case of the internationalization of English law firms into Italy, and the refocusing of their operations on the city of Milan, to make a number of contributions to existing literatures on responses to institutional complexity. First, we contribute to the literature on how organizations address complexity at the field level, by revealing the role of 'field relocation' as a particular response strategy. We also identify a number of organizational tactics – re-scoping, re-scaling, and re-staffing – through which 'field relocation' is accomplished. Second, we also show the importance of further developing our understanding of the geography of institutional fields by highlighting how the 'receptivity' of different field locations may affect responses to complexity. This identifies the importance of geographically locating fields and sub-fields in studies of organizational responses to institutional complexity.

**Keywords:** field location, institutional complexity, institutional receptivity, multinationals, professional services firms, strategic responses

## INTRODUCTION

A growing body of work calls for more attention to how multinational enterprises (MNEs) can reveal distinctive theoretical and empirical insights into the challenges of and responses to institutional complexity (e.g., Greenwood et al., 2010, 2011; Smets and Jarzabkowski, 2013; Smets et al., 2012). As they operate across multiple and diverse international contexts, MNEs are inevitably exposed to competing and potentially incompatible institutional pressures, and therefore to experiences of complexity. In

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particular, as exemplified by the literature on institutional duality (Kostova and Roth, 2002), MNEs are exposed to a particular form of complexity which arises from the need to reconcile the different logics of home and host country jurisdictions. However, despite this theoretical promise and the growing importance of MNEs in the contemporary economy, our knowledge of their responses to complexity remains limited.

This paper is based on an exploratory case study of a group of English law firms, their internationalization into the Italian market, and their responses to the institutional complexity they encountered. As a particular type of MNE, law firms potentially experience and respond to complexity in unique ways. As Muzio and Faulconbridge (2013) highlight, the partnership form of ownership and governance which characterizes these organizations distinguishes them from public owned corporations insofar that partners are the co-owners of the firm. This means that these firms lack the hierarchical headquarters–subsidiary relationships which characterize most corporate MNEs. Thus, partners in host country offices are, at least in theory, equal to their peers at head-office and, therefore, enjoy a significant degree of influence and autonomy. Hence, the partnership model demands a degree of consultation and consensus building between subsidiaries which is unparalleled in other types of MNEs. In addition, legal services are characterized by high levels of national embeddedness due to the role of lawyers in the administration of justice (e.g., Krause, 1996). This provides partners in each office of the firm with further resources to resist the imposition of strategies by headquarters. These distinctive features all potentially affect how law firms in particular and professional services firms in general might experience and respond to complexity.

We, therefore, use our exploratory case to address a number of empirical questions: How do law firms, as a distinctive type of MNE, experience institutional complexity when they internationalize? How do these firms respond to such complexity? Addressing these questions emphasizes the distinctively spatial forms of complexity experienced by global law firms, and how these organizations may respond to such complexity by exploiting the uneven and dynamic nature of fields. These insights allow the paper to make two related contributions to recent calls to give greater consideration to field level characteristics when analysing the causes of (Davis and Marquis, 2005; Fligstein and McAdam 2012; Wooten and Hoffman, 2008), and, in particular, responses to institutional complexity (Greenwood et al., 2011; Quirke, 2013).

First, the paper reveals how MNEs can respond to complexity through a ‘field relocation’ strategy. For our case study firms this involved relocating to a specific sub-field where complexity was reduced. We also identify three key organizational tactics – re-scoping, re-scaling, and re-staffing – through which ‘field relocation’ was accomplished. This extends recent studies (e.g., Greenwood et al., 2011; Smets and Jarzabkowski, 2013; Smets et al., 2012) which show how organizations can handle complexity internally within their own structures and practices by highlighting the role of a field level strategy. Second, in line with growing recognition of the need for institutional theory to take the geography of fields more seriously (e.g., Greenwood et al., 2010; Lounsbury, 2007; Marquis et al., 2007), our paper highlights the relationship between geographical location and ‘receptivity’, whereby this concept refers to the potential of a particular field location to be more open to alternative

institutional logics. Specifically, we show how English law firms relocated within the field by refocusing their operations on the city of Milan. This location was more 'receptive' to their home country logics, thus reducing the degree of complexity they experienced. Together, the insights we provide into 'field relocation' and 'receptivity' highlight the importance of locating the field in studies of responses to complexity, given that in uneven and dynamic fields different locations are associated with varying degrees of complexity.

The rest of the paper proceeds over eight further sections. We begin by reviewing the literatures on institutional complexity. We then explain our methodology and introduce our case study. This is followed by three empirical sections, focusing respectively on: causes, experiences, and responses to complexity. We then describe the Milan sub-field to which our case study firms were able to relocate. We conclude by developing the theoretical implications of our case study.

### **Organizational Responses to Institutional Complexity**

Institutional complexity arises when organizations 'confront incompatible prescriptions from multiple institutional logics' (Greenwood et al., 2011, p. 317). MNEs are a particularly interesting context for the study of institutional complexity. As MNEs straddle different national jurisdictions, they experience a particular form of complexity arising from different national logics. This has been long understood in the literature as 'institutional duality' (e.g., Kostova, 1999; Kostova and Roth, 2002; Muzio and Faulconbridge, 2013); this concept refers to headquarter subsidiary relationships where 'each foreign subsidiary is confronted with two distinct sets of isomorphic pressures' (Kostova and Roth, 2002, p. 216), emanating respectively from home and host country contexts. As a result, 'achieving and maintaining legitimacy are very difficult for MNEs because of the multiplicity and complexity of legitimating environments' (Kostova et al., 2008, p. 1000). Such difficulties increase with the 'institutional distance' between home and host country; this consisting of 'the difference between the institutional profiles of the two countries' in question (Kostova, 1999, p. 316). In this context, we contend that institutional duality is a particular form of institutional complexity concerned with how MNEs experience the potentially incompatible prescriptions of home and host country logics. Duality is, thus, a form of complexity which has distinctive spatial dimensions as tensions emerge as much from national variants of a particular logic, such as professionalism, as from the collision of altogether different logics such as professionalism and managerialism. For the purposes of this paper, we use the term complexity when discussing our case study, as this is the broader term used in the literature we draw on and contribute to, but it is the specificities of duality as a spatial form of complexity that are our primary concern.

There is now an extensive literature that examines how organizations respond to institutional complexity (e.g., Battilana and Dorado, 2010; Greenwood et al., 2011; Jarzabkowski et al., 2009; Kraatz and Block, 2008; Smets and Jarzabkowski, 2013; Smets et al., 2012). Most recently studies have focused on responses which seek to manage the effects of complexity through various intra-organizational tactics. For instance the notion of compartmentalization (Binder, 2007; Greenwood et al., 2011; Hamilton

and Gioia, 2009) has been invoked to describe how complexity can be avoided by partitioning and containing different logics within distinct and separate organizational structures. This tactic is typical of structurally differentiated hybrids (Greenwood et al., 2011). Conversely, other organizations allow ‘different logics to pervade the organization and rely on individuals to strike an appropriate balance’ (Jarzabkowski et al., 2013, p. 42). Such organizations are referred to as blended hybrids insofar as they attempt ‘to combine and layer “practices” taken from different logics into a single organization’ (see also Jarzabkowski et al., 2013; Smets et al., 2012).

A growing stream of work considers how in the context of such responses, organizations seek to balance the demands of competing logics by managing individuals, their practices, and identities. Battilana and Dorado (2010), for instance, show how a Bolivian micro-finance provider succeeded in blending commercial and community logics by purposely recruiting people with no previous exposure and therefore attachment to either logic. A more recent ‘practice turn’ (e.g., Jarzabkowski et al. 2013; Smets et al., 2012, 2014) stresses the need to focus on the interaction patterns through which individuals balance, reconcile, and switch between different logics. Thus, Smets et al. (2012), in their analysis of English law firms in Germany, highlight how organizations can address complexity through processes of ‘situated improvising’ as workers devise practical solutions to the challenges of complexity as part of their everyday activities.

The literature described above focuses on how organizations can deal with complexity internally, through their own structural configurations, recruitment strategies, collaborative dynamics, and work practices. Less attention has been paid to how organizations also seek to address complexity externally, through field level responses. This is particularly important because of the uneven and heterogeneous distribution of institutional pressures within fields (Fligstein and McAdam, 2012), which may present organizations with particular responses to complexity. Contributing to this agenda, Smets et al. (2012) link practice and field level responses together, as the situated improvisations described above can be facilitated through ‘institutional distancing’ dynamics. These refer to the ability of organizations to shield their members from ‘the monitoring and reinforcing activities of field-level audiences, weakening commitment to the prescriptions that they endorse’ (Smets et al., 2012, p. 896). To do this organizations reorientate themselves away from those actors within fields, such as national regulators, who reproduce logics that cause complexity. Quirke (2013), in her analysis of Toronto private schools, offers a subtly different perspective. She highlights the importance of the ‘topography’ of fields, by which she refers to the differing degrees of pressure for conformity which separate core from periphery positions (on this point, see also Greenwood et al., 2011). In this context, Quirke’s (2013) study shows how, in the absence of strong regulatory structures, non-conforming schools are sheltered by their peripheral field positions. In particular, peripheral sub-fields, which share the same regulatory environment with the wider field but are defined by their own distinctive logics (Quirke, 2013, p. 1676), offer organizations the possibility to focus on different audiences, draw on alternative logics, and side-step pressures for conformity that are deemed problematic.

This emerging focus on field level responses raises some important yet unconsidered questions. How might organizations exploit the structure of a field as part of their efforts to manage complexity? Do organizations seek to relocate to sub-fields where they face less complexity? How are such moves accomplished? In particular, whilst Quirke's (2013) reference to the topography of fields reminds us of the important distinction between core and periphery, following Lounsbury (2007), and Marquis et al. (2007), it is important to ask whether the geography of sub-fields, that is, their location in specific places, also matters with regard to how organizations experience and respond to complexity. Existing studies have shown how institutional pressures vary not only in intensity between core and periphery positions, but also between different geographical locations. Lounsbury (2007) shows this by documenting the different logics between the Boston and New York mutual funds industries, whilst Marquis et al. (2007) highlight the way specific logics and pressures affect organizations operating in different geographical communities. This raises questions of whether responses to complexity can exploit qualitative differences in the institutional pressures associated with different geographical locations within fields, and how this might be achieved?

## METHODOLOGY

We conducted a longitudinal case study (Yin, 2009) of the operations of English law firms in Italy. Our analysis focused on the period between 1993, when in concomitance with the fully-fledged arrival of English law firms in Italy the media began to report on their activities in this jurisdiction, and 2010, which is the year when the responses to complexity discussed below had been fully deployed. We decided to focus on Italy because of the high levels of institutional distance between the English and Italian legal fields (as noted by Micelotta and Washington, 2013; Muzio and Faulconbridge, 2013; Testoni, 2013). This distance exposed English law firms to high degrees of institutional complexity as they sought to implement strategies that were informed by their home country institutional logics. Accordingly, this was likely to constitute a particularly revelatory case (Eisenhardt and Graebner, 2007) for the analysis of how MNEs experience and respond to complexity.

### Stage 1: Data Collection and Analysis

We adopted a two-stage research process. An initial stage consisting of 24 interviews was completed in 2009 and focused on how institutional complexity affected the operations of English law firms in Italy. Respondents included all seniority levels of legal professionals working for the leading English law firms in Italy. All interviewees were Italian nationals as in this stage we were interested in how the practices of English firms were perceived in Italy, and how this, in turn, could explain experiences of complexity. To capture the full breadth of actors involved in the Italian legal field, we also included several other stakeholders. We interviewed officials in professional associations including Il Consiglio Nazionale Forense (CNF) (the national association which regulates and represents Italian lawyers) and L'Associazione Studi Legali Associati (ASLA) (as described below, a new lobbying body that represents large law



firms). We also interviewed deans of law schools, management consultants, and newspaper editors. Again, all interviewees were Italian nationals. Table I provides more details of our interviewees. Interviews lasted between 30 and 120 minutes and were recorded, transcribed, and translated into English when the original interview was conducted in Italian. As confidentiality was agreed, the exact identities of interviewees are not revealed here, but a description of their position/role is provided.

The two authors separately coded transcripts using two high level categories: ‘experiences’ and ‘causes’ of institutional complexity. The ‘experiences’ code captured data on the difficulties firms had faced in Italy, whilst the ‘causes’ code captured descriptions of the sources of these difficulties. We then sub-coded ‘causes’ according to Scott’s (2008) ‘pillars of institutions’ approach. This approach was chosen because of its effectiveness in explaining institutional differences between home and host countries (as demonstrated by Kostova and Roth, 2002; Muzio and Faulconbridge, 2013). In our case, it enabled us to account for the complexity that our interviewees described through reference to differences between the regulative (formal rules), normative (social expectation and values), and/or cultural cognitive (conceptual frames and meanings) components of the Italian (host country) and English (home country) institutional contexts. In addition, we also sub-coded the ‘causes’ category against the key actors that caused complexity for our case study firms so as to reveal the regulative, normative, and cultural-cognitive pressures exerted by each actor. Consistent with previous analyses of professional fields (e.g., Burrage et al., 1990; Faulconbridge and Muzio, 2012), these actors included regulators, practitioners, clients, and universities and other training providers. The two authors compared all of their code tables to discuss and resolve any discrepancies.

Table I. Chronology of key events for English law firms in Italy

<i>Year</i>		<i>Event</i>
1993–1999	Entry	Major English law firms establish offices in Italy through alliances with local firms – Clifford Chance with Grimaldi & Associati (1993), Simmons & Simmons with Grippo and Associati (1993), Freshfields with Lega Colucci Albertazzi & Arossa (1996), Allen & Overy with Brosio, Casati and Associati (1997), and Linklaters with Gianni Origoni (1999).
1997–2001	Consolidation	Firms complete full mergers with alliance partners (Simmons & Simmons and Grippo and Associati in 1997; Clifford Chance and Grimaldi & Associati in 2000) whilst Linklaters enters official merger negotiations with Gianni Origoni in 2001.
2002–2004	Crisis	Named partner Eugenio Grippo leaves Simmons & Simmonds in 2001; Grimaldi and Associati demerges from Clifford Chance in 2002; Gianni Origoni ends merger negotiations with Linklaters in 2004; Founding partners Giovanni Lega and Paolo Colucci leave Freshfields in 2004; Founding partner Roberto Casati leaves Allen & Overy in 2004 (followed shortly afterwards by a number of key partners in Milan and Turin).

An initial empirical narrative was then produced to reveal the characteristics and causes of the complexity that confronted English firms in Italy. However, this analysis also revealed change in the nature of this complexity over time. In particular, it emerged that English law firms were able to maintain an effective presence in the Italian market. Thus, a second stage of the project focused on how firms responded to the complexity they experienced.

## Stage 2: Data Collection and Analysis

We began our second stage with an archival analysis of various media sources (see Table II). An archive search between 1993 and 2010 against the word 'Italy' was performed on *The Lawyer*, this being the longest established media source covering the activities of international law firms. This search yielded 994 returns in the form of articles, news releases, and editorials. This search was then augmented with a similar search conducted on the *Legal Week* database which became available from 1999. This yielded an additional 1172 items. Furthermore, we consulted 12 expert reports on the Italian legal profession and 25 documents from professional associations that explicitly discussed the activities of English firms in Italy. The two authors independently reviewed the collected materials by reading these items in their entirety and coding them using the same structure deployed in Stage 1. In this second stage of the process we also inductively added two additional codes: 'key events' and 'key firms'. The former refers to important episodes in the period of observation when complexity, its experience, and causes became most visible. Such events included: mergers/de-mergers, office closures, partner exits, and encounters with regulators. The latter code refers to the firms which were most prominent in these articles. These were: Clifford Chance, Linklaters, Allen & Overy, Freshfields, and Simmons & Simmons. We then extracted from our database a total of 155 items which focused explicitly on the operations of these firms in Italy. We also mined Stage 1 interviews for any data relating to these firms, and gathered additional information from the firms' websites. This allowed us to develop biographies for these firms relating to their entry strategies, office geography, key specialisms, clients, and transactions in the Italian market. We then used all of these data to develop a second empirical narrative, which focused on the history of the selected firms in Italy.

The second narrative revealed for the firms in question similarities in the experiences and causes of complexity, and confirmed that towards the end of the period of observation all of these firms found a way to manage the complexity they experienced. Following established methodological approaches (as adopted by, amongst others, Greenwood and Suddaby, 2006b; Greenwood et al., 2002), we then extended our analysis with a second phase of primary data collection in 2011. To facilitate this, we revisited our Stage 1 interviews and archival database to identify key informants in relation to our case study firms. We then targeted these as part of a second stage of 23 semi-structured interviews. Specific roles represented in this sample include the managing partners of the Italian offices of the firms mentioned above. We also interviewed a number of senior professionals from the firms' global executive committees in London. These individuals were purposely selected insofar as they could speak



Table II. Categories of key informants interviewed

	<i>Category of informant</i>	<i>Numbers interviewed</i>	<i>Role of informants in constructing analysis</i>
Stage 1	Practitioners and professional support staff in law firms	10 lawyers (all in Italy) and 3 senior support professionals	Identification of what complexity meant in the case study context and what caused it
	Regulators and professional associations	4 – including officials in the Italian national professional association (CNF) and in the Association of Large Law Firms (ASLA)	Identification of the role of this group of actors in creating complexity for English firms
	Law schools	3 – deans of leading law schools in both Milan and Rome	Identification of the role of this group of actors in creating complexity for English firms
	Consultants and media editors	4 – editors of specialist Italian legal press and consultants to the legal profession	Development of high level narrative of how complexity had played out over time, and how the media itself contributed to firms' experiences of complexity
Stage 2	Practitioners and professional support staff in law firms	20 lawyers and 3 senior support professionals (1 managing partner, 1 practice manager and 1 business development manager)	Provides insights into how our five chosen firms experienced complexity and responded to it, and how these experiences and responses changed over the period of observation

directly to the firms' internationalization strategy, the issues faced in the Italian market, and the response strategies deployed in the period 1993–2010. Table I provides more information about these interviewees. In this second stage, respondents were both English (9 interviewees) and Italian nationals (14 interviews).

Interview data were analysed following the same procedures and coding structures outlined for Stage 1. We also developed inductively from the data a new code entitled 'responses', this being used to identify the tactics used by firms to manage the particular forms of complexity they encountered. Independently coded data were then again fully reviewed by the two authors. As part of this process we developed a number of sub-codes within the broader 'responses' category. These related to recurrent responses that were evident in the data. These sub-codes are: 're-scoping', which was used to capture data on how firms changed the scope of the services they offered and of the clients they served; 're-scaling', which was used to capture data relating to

changes in the size and office numbers of firms; and ‘re-staffing’, which was used to capture data about changes in the characteristics of the lawyers working within these firms. As we moved iteratively between theory, data, and analysis (Strauss and Corbin, 1998), data in the ‘responses’ codes were also coded using the ‘three pillars’ and ‘key actors’ codes developed in Stage 1. This enabled more detailed explanations of how specific responses sought to manage the causes and effects of complexity. Stage 1 interview data and archival data were also retrospectively coded against the new ‘responses’ code and sub-codes. This allowed us to refine the two empirical narratives already developed and to produce a third narrative, which focused on how our case study firms responded to the institutional complexity they experienced. At the end of Stage 2, our findings and interpretations were presented to six interviewees to allow checks for accuracy. These interviewees were a combination of English and Italian lawyers, Italian consultants to the legal profession, and media editors. Figure 1 summarizes our coding structure.

## Outline of Case

As English law firms entered the Italian market in the mid-1990s, their internationalization strategy, unlike the old foreign outpost model where local offices acted as referral points for their headquarters (as documented by Beaverstock et al., 1999), was to develop a permanent presence and full service capability. This strategy involved developing domestic law capabilities, employing locally (Italian) qualified

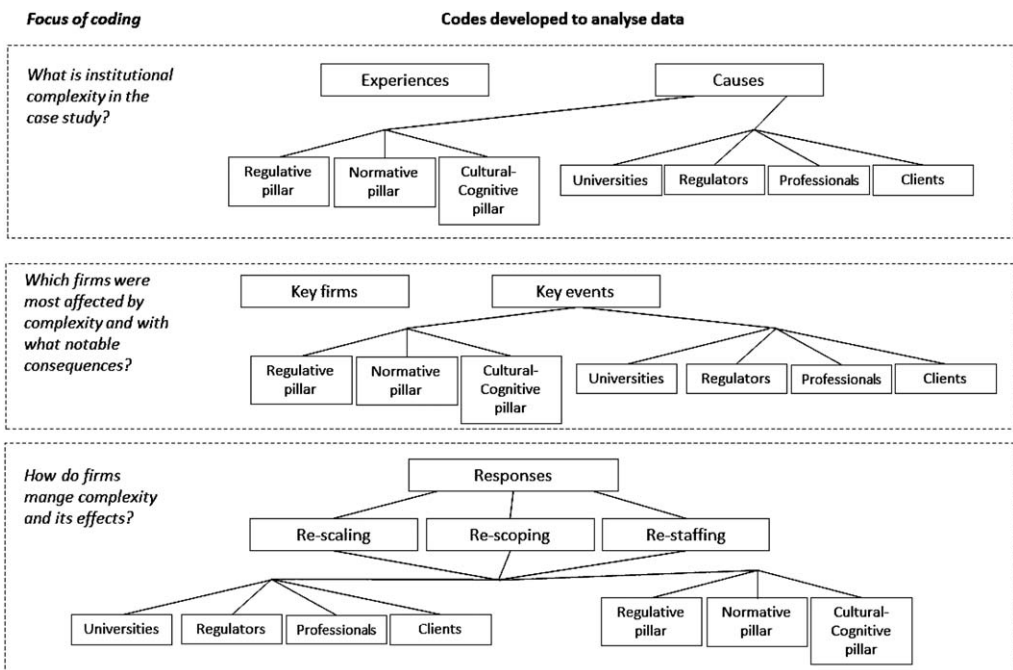


Figure 1. Coding structure

lawyers, and servicing Italian as well as international clients. In most cases, an association with a local boutique firm acted as the means for entering the Italian market (see Table III). This approach ensured Italian law expertise plus access to the social and political capital necessary for procuring high profile local work. Associations were initially loose affairs whereby the Italian offices retained a high degrees of autonomy in matters such as remuneration and pricing structures, working methods, and even branding. However, English firms expected that such arrangements would be the precursor to full integration. Thus, Tony Angel, managing partner at one of the English firms in question, Linklaters, was reported in the media as saying, ‘These things [alliances] have to lead to a merger or they don’t work’ (Griffiths, 2004). Indeed, by the early 2000s, as indicated in Table III, the firms Clifford Chance, Allen & Overy, Freshfields, and Simmons & Simmons had sealed mergers with their Italian counterparts, whilst Linklaters was working towards a similar objective with its long-term Italian partner, Gianni Origoni Associati. These mergers consolidated the presence of our case study firms in the Italian market, increasing their size and local law capabilities, providing additional offices (Turin for Allen & Overy; Padua for Clifford Chance and Simmons & Simmons) and helping them to secure all important Italian corporate clients. By 2001, 80 per cent of Clifford Chance’s 145 lawyers in Italy were locally qualified (Cahill, 2003a; *The Lawyer*, 1999), and 85–90 per cent of clients at Simmons & Simmons were Italian (Cahill, 2003b). By 2004, with 204 lawyers, Allen & Overy had become the biggest law firm in Italy.

Post-merger, firms embarked on increasing attempts to integrate their Italian offices more closely into their global network through the process of standardization, usually

Table III. Archival sources

<i>Source type</i>	<i>Sources consulted</i>	<i>Significance of source</i>
The media	155 items selected from <i>The Lawyer</i> (1994–2010) and <i>Legal Week</i> (1999–2010)	Provides a history of English law firms in Italy, the issues they encountered and the strategies they developed
Expert guides	Country reports on Italy by the Chambers Legal Directory (9 from 2002 to 2010) and Legal Business (3)	Provides time-series analysis of key trends regarding the activities of firms as well as contextual information on key trends in the Italian market
Professional association archives	Annual reports from Consiglio Nazionale Forense – national professional association (12 – from 2002 to 2013); press releases from the Associazione Studi Legali Associati – representative body for large law firms (13)	Offers insight into reactions to English law firms from key members of the Italian legal field

centred on London-derived practices and structures. Thus in the words of one of our respondents:

You just couldn't have unaligned bits of the firm tagged on... We were really focused on trying to move the firm as a single integrated unit. (English Global Managing Partner, Global Law Firm)

However, as evidenced in Table III, within a two-year period, all of the mergers or merger negotiations in question had collapsed as key partners on the Italian side resigned. Vittorio Grimaldi quit Clifford Chance in 2002, taking with him 30 lawyers and most of the Rome office (Cahill, 2002a). The next couple of years also saw founding partners Casati, and Lega and Colucci leave Allen & Overy and Freshfields, respectively (Collins, 2004; Griffiths, 2005; Sutton, 2006). Meanwhile, in the same period the scheduled merger between Linklaters and Gianni Origoni Associati was called off (Griffiths, 2004). In the next section, we explain how these difficulties can be understood through the lens of institutional complexity.

### Causes of Institutional Complexity

As English firms entered the Italian market in the mid-1990s, they faced a very different institutional context from their home country. Whilst a full comparative analysis of the Italian and English legal professions is beyond the scope of this paper (but see Muzio and Faulconbridge, 2013), Table IV uses a 'pillars of institutions' approach (Kostova and Roth, 2002; Scott, 2008) to tease out the differences between these two national contexts and their regulative, normative, and cultural-cognitive foundations. Following Abel (1988) we divide the regulative pillar in two further components: the *regulation of the production of producers* (i.e., rules governing professional qualification), and the *regulation of the production by producers* (i.e., rules governing professional practice).

These different institutional contexts produced two national variants of the professional logic: an Italian professional logic which was closest to traditional understandings of collegial professionalism (on which, see, for example, Lazega, 2001), and an English professional logic which was closest to the managerial professionalism described elsewhere (e.g., Brock et al., 1999). Although these are national variants of the same logic (professionalism), for ease of expression we refer to them throughout as the English professional logic and the Italian professional logic. Table V outlines the key characteristics of each of these two logics. The differences between these are significant because logics prescribe 'how to interpret organizational reality, what constitutes appropriate behaviour, and how to succeed' in a particular field (Thornton, 2004, p. 70; cited in Greenwood et al., 2011, p. 318). Consequently, as English law firms internationalized into the Italian market and sought, as part of their post-merger integration strategies, to reproduce practices inspired by the English professional logic, they experienced significant levels of complexity.

Table IV. Institutions of the Italian and English legal professions – a ‘three pillars’ approach

<i>Institutional pillar</i>	<i>Italy</i>	<i>England and Wales</i>	<i>Exemplary quotes illustrating English firms’ experiences of difference between the English and Italian contexts</i>
Regulative	Law degree as mandatory entry qualification	Multiple qualification routes. Increasing role of firms in training provision	One of the major differences we have experienced over the years is that most English lawyers, the trainees have very little knowledge of the law. This applies to all firms because your system is different, it does not necessarily need to take 3 or 4 years of law to become a lawyer contrary to what you do here. . . One company are thinking about providing a 6 month version [of the compulsory law degree] so, it is potentially after not having done a law degree, you be a lawyer after 18 months. . . English lawyers they find themselves lawyers but sometimes, their concepts are a bit nebulous. . . Honestly I believe our system [in Italy] has many failings, many shortfalls, but I feel more confident uh, in dealing with one of my youngsters that you know a trainee or youngster from the UK. (Italian Partner, Global Law Firm)
	Legal education as theoretical	Legal education more specialized and applied	I think the difficulty will be for Italian Universities to somehow, give these people a more practical approach. . . they still look at the formal concept of creating a lawyer which suits the Italian market. . . So far the problems is that we have an enormous amount of lawyers, too many lawyers coming in to the uh, market, those suitable for our needs are very small percentage of these lawyers coming out of School. (English Partner, Global Law Firm)
	State exam as key entry barrier	Training contract as key entry barrier	We had to allow them all [Italian trainees] very long periods of time off for their Bar exams and quite a few of them wouldn’t pass the Bar exams first time around and would need to go back and do more. And we had to be constantly mindful of the requirements. I think there was also a requirement for them to go every week and spend a certain amount of time studying at the Bar school as well. (Italian Partner, Global Law Firm)
	Highly regulated with restrictions on advertising, naming, fee setting and employment practices	Progressive de regulation and liberalization	Yes, firstly there were some Italian regulatory restrictions, for example the name, we had to keep [the name of the Italian Firm] in the name because of Italian Bar rules. That set it apart from other parts of the global firm because although it was a fully integrated part of the firm it didn’t look like it because of that name. It took many years before we could really major to the [Global Firm Name]. And even that has involved a degree of bending of the rules. (English Partner, Global Law Firm)

Table IV. Continued

<i>Institutional pillar</i>	<i>Italy</i>	<i>England and Wales</i>	<i>Exemplary quotes illustrating English firms' experiences of difference between the English and Italian contexts</i>
Normative	Individual/small scale practice	Organizational/large scale practice	<p>The most serious problem is the fact that whilst all over Europe we have salaried lawyers, in Italy this is not possible because the professional association prohibits lawyers from being in any form of salaried employment. The rights of 'ius postulandi' (ability to provide legal representation) is reserved to self employed lawyers, and salaried professionals have no rights of audience in court, cannot participate in judicial processes and cannot use the title of 'avvocato'. This has created a range of difficulties. . . . (Italian Partner, Global Law Firm)</p> <p>I don't have any ambitions to build an eternal law firm. I couldn't care less whether my firm continues into the next new century. (Italian Managing Partner, Global law Firm – quoted in quoted in Pawsey, 2003, p. 71)</p> <p>Clifford Chance (CC) is facing the threatened departure of senior banking partner Luigi Chessa following a row over the management of the City giant's Italian practice. . . .<i>Legal Week</i> understands that the threatened departure is related to a dispute over the running of CC's Italian arm, with the magic circle firm aiming to move the practice to more formal management lines typical in Anglo-Saxon firms. (<i>Legal Week</i>, 2002)</p> <p>'The cult of the personality definitely exists in Italian law firms', says one Italian lawyer. 'These men reach a very high status within the legal profession and make incredible amounts of money, but they do not leave any lasting legacy'. (Mooney, 2002)</p>
	Client relationships long term and personalized	Client relationships transactional and institutionalized	<p>As in Italy we have mainly family businesses, what is more important is the personal relationship with the family, not the brand of the law firm. When I was a partner 80% of clients were my personal clients. (Italian Partner, Global Law Firm)</p> <p>It's easy for the independent firms to survive, because clients pick firms for individuals, not just brands. (Pawsey, 2003, p. 76)</p> <p>Throughout the world [major manufacturing MNC] is historically one of the main clients of this firm but it wasn't a client in Italy. This is because [major manufacturing MNC] had traditionally preferred another firm. I couldn't explain to London why we couldn't make a bid for [major manufacturing MNC]. It was forbidden for me</p>



Table IV. *Continued*

<i>Institutional pillar</i>	<i>Italy</i>	<i>England and Wales</i>	<i>Exemplary quotes illustrating English firms' experiences of difference between the English and Italian contexts</i>
	Inequality in compensation and governance structures	Relatively compressed compensation structures	<p>because I couldn't go beyond the back of a competitor with whom we had a good relationship. We couldn't poach the client because we were colleagues with this other firm. (Italian Business Development Manager, Global Law Firm)</p> <p>Alliances have failed in the past because the income of top Italian lawyers is much higher than the top rates in the lockstep. The lockstep in the Magic Circle goes up to £1m – perhaps a little more. But the personal income of the top lawyers in Italy ranges between €10m and €20m. If you want to get into this market, you need successful lawyers, and if you want successful lawyers, you can't cap them with a lockstep. (Italian Partner, Global Law Firm – quoted in Sutton, 2006, p. 74)</p> <p>The biggest challenge is remuneration. Traditionally, in an Italian firm the equity is held by the name partners and anyone else they may deem worthy. The difference in salary between a junior and a senior partner is often as high as 500%, sometimes much more. Remuneration, and in particular the vast salaries earned by the superstars, has made merging with UK firms run on a lockstep problematic. (Pawsey, 2003, p. 72)</p>
Cultural-Cognitive	Individualized practice	Culture of teamwork and organized practice	<p>My experience is that lawyers of other jurisdictions are more efficient in terms of productivity. There is a cultural thing here whereby lawyers are not a service provider. But a kind of gurus of mastering the laws, so they can take the time they like. (Italian Associate, Global Law Firm)</p> <p>In Italy in the Italian firms, we have the myth of the great sole practitioner, the great lawyer, the One. Everyone I would say dreams of being the Man, the real lawyer, the Great Lawyer...there are the great egos in the firm and they don't act as a team - everyone looks at his own interests. (Italian Associate, Global Law Firm)</p> <p>Gianni says: 'A top lawyer wants to be a lawyer, not an administrator. If you want to import the London management style into Italy you will have to adapt it to the Italian mentality to succeed'. Milan partner Roberto Casati points out: 'UK firms are too hierarchical and at times lawyers feel they are employees rather than partners. Italian lawyers are free-spirited prima donnas who are entrepreneurial. They do not like being told what to do - especially attending numerous meetings and compiling reports'. (Ruckin, 2007a)</p>

Table IV. *Continued*

<i>Institutional pillar</i>	<i>Italy</i>	<i>England and Wales</i>	<i>Exemplary quotes illustrating English firms' experiences of difference between the English and Italian contexts</i>
			Italian lawyers don't toe the party line, and don't the English know it. It's not because they want to rebel-far from it: there's a strong hierarchy in which lawyers ascend with age. No, rather it's because they work alone. Two is a crowd and a party simply isn't tolerated. That's why international firms have so much trouble. (Pawsey, 2003, p. 71)
			Brosio Casati had 78 lawyers when merging in 1998 with A&O. Before that, we had no managing partner, no titles and a lack of structure. It was run by consensus, a small partnership culture. A&O was run more as a business. (Carman, 2006)
	Civil law focus on mastery of legal codes	Common law focus on development of bespoke solutions	If you are in a securities department, or in banking and finance or in M&A department [in an English firm], it is just paper, paper, paper, and agreements that you take from precedents. How many times a day do you pick up the civil code and check and you learn and you study, I don't pick it up many times! That's not normal for an Italian lawyer. (Italian Associate, Global Law Firm)
	Generalist orientation	Specialist orientation	Specialization is in my opinion a form of intellectual poverty. ...A lawyer should have a maturity of judgment that can only be acquired if he has had an exposure to a broad range of legal practice. (Italian Partner, Global Law Firm)

*Source:* Adapted from Muzio and Faulconbridge (2013).

Table V. The contrasting English and Italian professional logics

	<i>English professional logic</i>	<i>Italian professional logic</i>
Dominant mode of organization	The large law firm with executive committees, practice groups and dedicated functional departments (HRM, IT)	The small partnership in which all professionals engage in client work, dedicated managers and specialist functions are absent
Source of legitimacy	Limited liability partnership The commercial value-added of advice to the client The size of the firm and the reputation of its brand	The collegial partnership The technical sophistication of advice to clients The expertise, reputation and personal connections of individual professionals
Mode of control	Control over both means of production (working methods) and ends (quality of work) through management systems and performance appraisals Executive authority invested in distinct managerial roles (senior and managing partner)	Professional autonomy and individual discretion with regards to means of production. Control over end of production (quality of work) through peer review and market reputation. Executive authority invested in a few influential individuals (named partners and key rain makers)
Means of production	Global deontological codes all professionals must follow High levels of routinization and formalization Increasingly formalized and hierarchical divisions of labour. Specialized departments and teams	Individual discretion (within professional codes) to manage ethical issues Low levels of routinization and formalization Broad roles and functions, with low levels of specialization
Professional orientation	A focus on the firm's strategic priorities and interests Loyalty to the firm Institutionalized client relationships	A focus on individual interests of a small group of dominant partners Loyalty to the profession Individualized long-term client relationships
Structures of remuneration	The success of the firm prioritised over individuals, leading to the use of seniority based profit-share models of remuneration (the lock-step model)	The success of individuals prioritised in remuneration, with high degrees of inequality as remuneration reflects profits earned by the individual partner (the eat what you kill model)

Source: Fieldwork, and adapted ideas from Cooper et al. (1996), Lazzega (2002), and Mintzberg (1979).

## Complexity and Tensions

In this section we structure our analysis of complexity and the tensions it generated by focusing on the role of the key actors in the Italian legal field. In particular, we show how the practices of English law firms were viewed as illegitimate in Italy as a

result of differences between the English and Italian professional logics. Following established approaches to the study of professional fields (e.g., Burrage et al., 1990; Faulconbridge and Muzio, 2012), the actors focused upon are: practitioners, clients, regulators, and universities and other training providers. Such an approach is useful as logics are carried and reproduced by actors within fields (Greve et al., 2010; McPherson and Saunders, 2013), and therefore, in the case of MNEs, tensions emerge when the prescriptions of home country logics and the practices they inspire come into contact with the different logics and practices held by local actors in an institutionally distant host country context.

*Practitioners.* Our Italian lawyers characterized the practices of English firms using words like 'imperialist', 'colonialist', and in one case even 'racist'; all of which referred to the tendency of these firms to assume the superiority of their home country practices and to seek to reproduce these in the Italian context. In particular, substantial points of friction emerged as the managerial approach typical of English firms clashed with the more individualist orientation of Italian lawyers. As both Italian and English interviewees observed:

There was a lot of Micro Management. I will give you an extreme example but there are many more. It was Christmas and I received an email from the European Managing Partner: 'Alessandro [changed name], as you know, Christmas is approaching. You should of course organize a party. You should provide beverages but no alcohol. It should be in the afternoon but not too late – around 5 pm. You should thank the staff, starting from the support staff and then our associates but you shouldn't mention the partners.' In other words they were spelling out everything for me. (Italian Partner, Global Law Firm)

They [Italian Partners] felt that it [the managerial approach of English firms] was impinging almost on their freedom, their liberty, and their expression as a professional and that they were being put into some sort of sausage machine. And that was one of the many reasons why these things were never going to work because you're dealing with a generation that didn't want to be compared to an Excel spread sheet. (English Partner, Global Law Firm)

'Management', 'bureaucracy', 'hierarchy', and 'being an employee' were all signalled by our interviewees as the most recurrent sources of tension, these being typical of the English professional logic (see Table V). Differences in the approach to legal work adopted by our case study firms also generated some significant legitimacy issues. In particular, deeply held understandings of lawyers as 'consiglieres' or trusted advisors conflicted with the hyper-specialization and standardization typically pursued by English firms. As one interviewee put it:

English law firms, ... are characterised by high levels of specialization and a Tayloristic approach to work, which I do not agree with ... specialization, in my opinion, can lead to a form of intellectual poverty and stunts professional development from being a technician to a real advisor. (Italian Partner, Global Law Firm)

Moreover, the individualistic focus of the Italian professional logic (Table V) led to clashes over material issues such as governance and remuneration. Highly dispersed compensation structures meant Italian top partners earned substantially more than their English counterparts (Table IV; see also Moshinsky, 2007b; *The Lawyer*, 1999, 2001). Consequently, fitting their expectations into the global lock-step pay structures typical of English law firms proved problematic.<sup>[1]</sup>

The bottom line was is that the average net profit attributable to each partner in Italy was probably about two and a half times that of a partner in the rest of the firm. . . . So what happened is that the terms of the merger were only ever going to work if an Italian partner was receiving two and a half times what a partner of his generation, or her generation would be receiving elsewhere in the firm. And that of course created a huge kick back tension within [Global Firm]. And so it got to a point, a bit like marriages, where it just was never going to work. (English Partner, Global Law Firm)

As an example, when Clifford Chance merged with Grimaldi e Associati, local senior partner Vittorio Grimaldi was earning approximately three times more than the highest paid partners in London (Cahill and Jordan, 2003; Griffiths, 2000a). The solution was to award in Italy additional equity points on the global lock-step scale which allowed the firm to pay higher levels of remuneration. However, this led to the paradoxical situation of having partners in a peripheral office earning significantly more than their counterparts at headquarters, and undermined the notion of a global partnership from the very start. Indeed, the move was so controversial that it almost derailed the merger: Clifford Chance had to postpone the all partner vote on the deal in order to win support from its London partners for a bespoke Italian pay structure (Griffiths, 2000b).

Overall the clashes between the Italian and English professional logics translated into a steady stream of defections. In the post integration period English law firms lost partners, practice groups, and even whole offices (on such departures see Table I and also Cahill, 2001, 2002a, 2002b, 2003b, 2003c; Legal Week, 2004; Mooney, 2002; Moshinsky, 2006, 2007a; O'Connor, 2005; Pawsey, 2003; Sutton, 2006). Importantly, whilst in early cases these defections were largely instigated by Italian professionals themselves as they became disenchanted with the English professional logic and the practices it inspired, over time such moves became more consensual or were even actively engineered by our case study firms. Indeed, as discussed more in the next section, such moves were part of attempts by English firms to reconfigure their Italian operations so as to reduce complexity. As one of our interviewee noted:

[Global firm] hated the fact that he [superstar Italian lawyer] was so dominant within the organisation. They hated it because no other partner could do that in the rest of firm. And they made his life impossible. (English Partner, Global Law Firm)

*Clients.* Whilst Italian clients were impressed with certain features of English firms, such as their 'organization', 'proactive service', and '24 hour capabilities', they ultimately displayed a strong attachment to local norms stressing long-term relations and

a highly personalized service (Table V). English law firms thus faced a series of difficulties when dealing with Italian clients, as evidenced by the vignette reported below:

It is often recounted that when Clifford Chance launched its new Padua office amid great fanfare, as the local partners were explaining the structure and philosophy of the firm, they were asked by a local business man 'Where are Mr Clifford and Mr Chance? I am Mr. Brambilla, I am the owner of my firm which is called Brambilla, and I only want to talk to the owner of the firm not with an employee.' From this point the audience became concerned with the whereabouts and indeed with the health of Mr Clifford and Mr Chance. Where were they? Were they alive? This gives you an idea of the conditions that met these firms, which were at a loss in front of such questioning. (Italian Editor, Trade Publication)

This vignette indicates the primacy of personal connections in the Italian context, as clients tended to place their trust in individual professionals rather than in organizational brands. Furthermore, the global deontological codes developed by English law firms to minimize conflicts of interest precluded their lawyers from engaging in some key practices necessary to cultivate close client relationships in Italy. Thus, for example, English law firms tended to prevent their lawyers from joining the boards of their clients as non-executive directors. However, this type of arrangement was not only commonplace in Italy but it was also considered as an exemplar of good client relationships. As such, the practices of English firms not only deprived Italian lawyers of a very effective business development tool, but were also likely to appear illegitimate to local clients, as the following quote illustrates:

One of the rules at [Global Firm] was that lawyers were not allowed to sit on the executive boards of their clients. This is a grave offense for an Italian client. If an Italian client asks you to join their board and you decline...they wouldn't understand... (Italian Partner, Global Law Firm)

Other tensions stemmed from the business model adopted by English firms, which led them to focus on large one-off transactions rather than on providing day to day assistance. This clashed with the realities of the Italian market and the expectations of local clients who do not 'require scores of associates working on large transaction but partner led day to day service, whereby the client calls on a regular basis and requires specific advice from a senior person' (Italian Partner, Global Firm). Another respondent, an English partner, summarizes this attitude very succinctly: 'In Italy the clients said you're my lawyer you just do all my work.' The result, as indicated below, was that without engaging in routine daily work it was difficult for English firms to secure the large corporate transactions they sought:

[Global firm] was a transactional firm and didn't engage in day to day advice. Before merging with [Global firm] we had some very important family businesses, like [Italian family business x] which had a 6 billion euro turnover. You can't tell such a client I won't help you with your agency contracts but then expect to be called when the firm requires advice on a 450 million euro investment in China. (Italian Partner, Global Law Firm)



*Regulators and policy makers.* Regulators and policy makers such as the CNF and the Organismo Unitario Avvocatura Italiana (OUA – a lobbying body for the legal profession) endorsed in their policies and public pronouncements a vision of independent generalist practice which was far removed from the organizational model of English law firms. Thus, in the words of Guido Alpa, president of the CNF, ‘professional firms are not enterprises’ (cited in Micelotta and Washington, 2013, p. 1156), whilst his counterpart at the OUA, Maurizio DeTilla, echoed this point by stating how ‘Italian lawyers cannot become employees in law firms’ (Cavestri, 2010). As indicated in Table IV, these normative understandings of legal practice were embodied in a system of professional regulation which explicitly prohibited or rendered difficult a series of practices which were commonly adopted by English law firms. These included salaried employment, marketing/advertising, competitive billing, and limited liability. As such, when our case-study firms sought to reproduce some of these practices in the Italian context, they were viewed as highly illegitimate. Accordingly, English law firms were met with hostility by Italian regulators, who explicitly talked in terms of defending the Italian professional logic: ‘Individual professionalism is being marginalized by organizational forms of professionalism with all their well-known problems. . . . We need to oppose these tendencies. . .’ (Alpa, 2010).

This stance manifested itself in a series of initiatives which sought to challenge, sanction and de-legitimize English law firms. Thus, for example, both Freshfields and Allen & Overy were publicly accused in the Italian parliament of undercutting fees by almost 30 per cent; something which was against Italy’s minimum fees rules (Mizzi, 1999). Meanwhile, the Milan and Rome bar investigated a range of firms for disclosing information about client transactions. This was standard marketing practice in London but was forbidden by Italy’s professional code of conduct (Collins, 2005). Of course, whilst these are the most high level and publicly visible manifestations of regulatory conflicts, Italian regulations also restricted and complicated the operations of English law firms on a daily basis. Thus, one of our respondents commented upon how the requirements of the Italian qualification regime generated some significant complexities by limiting the ability of firms to reproduce standard training and staffing practices:

We had to allow them all [Italian trainees] very long periods of time off for their Bar exams and quite a few of them wouldn’t pass the Bar exams first time around and would need to go back and do more . . . What tended to happen was you’d have more people working on an average job in Italy than anywhere else in the world. So an average job that in London you might have a team of four people working on it, in Italy you might have a team of eight people working on it because, you know, some of them would be off here or there to do this or . . . you would often have lots of different people appearing for short periods on the same transaction, all needing to get up to speed with it. (English Partner, Global Law Firm)

*Universities and other training providers.* Of the four field actors here described, universities and other training providers had the least direct contact with English firms.

Yet, by shaping the skillsets and mind-sets of Italian lawyers, they did act as an important source of tension. In particular, there was a disconnection between the skills that universities and the Italian qualification system more generally furnished graduates with, and the requirements of English firms. This is partly because in Italy university law degrees tended to be highly traditional, technical, and theoretical, placing emphasis on historical and philosophical subjects like the institutions of Roman law, jurisprudence, or canon law, rather than on more applied topics or on the development of transferable skills. Furthermore, at the time Italy, unlike England, did not have a post-degree vocational education system where competencies relating to the practice of corporate law could be developed (Faulconbridge et al., 2012).

In effect, the approach to legal education in Italy supported many of the elements of the Italian professional logic detailed in Table V. This inevitably created tensions when English firms sought new recruits capable of and willing to implement their home country inspired practices. Thus in the words of one of our respondents:

Italian universities were not at all producing people who were well equipped to become lawyers in an international law firm. The education was heavily focused, was very academic, very focused on private law, very Italian. (English Partner, Global Law Firm)

Particular examples of the tensions that ensued include the dismay indicated by a previous respondent at not regularly 'picking up the civil code' in his daily practice (Table IV), as well as the sense of surprise felt by the associate below with regard to the academic qualifications of some of his superiors:

Sometimes we find them difficult even strange [global firms' home country practices]. For example...when we know and we see that sometimes in other jurisdictions you can have a university degree in matters different from law and then you take a short course and you can be a lawyer. We have some partners here who graduated at Math or Physics or something like that. (Italian Associate, Global Law Firm).

### **Responding to Complexity: Re-scoping, Re-scaling, and Re-staffing**

The discussion above is indicative of the institutional complexity that our case study firms experienced in the post-integration period. As a result of significant differences between England and Italy in terms of their country institutional profiles (Table IV) and of the prescriptions associated with their respective professional logics (Table V), many of the practices that our case study firms sought to implement were viewed as illegitimate. Ultimately, as documented in the previous section, this led to the unraveling of the mergers detailed in Table III as local lawyers defected, firms themselves sought to squeeze out practitioners who resisted their global strategies, and clients expressed doubts with regard to certain aspects of the firms' practices. Meanwhile, as discussed, regulators questioned the legality of some of the organizational structures and practices of our case study firms. As result, over this period, the tensions and

difficulties affecting the Italian operations of English firms became increasingly evident, both within Italy and at global management level in London:

I met our global managing partner in the lift and he said to me ‘you are in Italy aren’t you? Italy accounts for 3 per cent of our workforce and 6 per cent of our profits. That’s pretty good. Pity those 25 per cent of my troubles’. (English Partner, Global Law Firm).

Well it forced us to look at Italy and say what are we going to do in Italy? Do we want to stay in Italy? If we’re going to stay in Italy how are we going to do it? And on more than one occasion an English partner was sent to Italy to ‘rebuild the Italian practice’. It was a sort of continuing exercise if you see what I mean. I certainly got used as senior partner to be ready every now and again to have to fly to Italy to sort something out. (English Global Partner, Global Law Firm)

This raises an important conundrum: how did our case study firms respond to the institutional complexity they experienced? The responses we observed involved three interrelated organizational tactics: re-scoping, re-scaling, and re-staffing.

*Re-scoping.* Re-scoping involved firms reconsidering what kind of work they did and for which clients. The following quote captures this change in focus:

Their primary concern becomes to support the likes of Barclays, and J. P. Morgan in Italy. . . If an Italian partner brings a local medium sized client, with a turnover of let’s say 500 million euros, that is, of course [good], but this is not a primary concern. Today with their new lighter structures of around 70 lawyers or so these firms can survive very well by simply servicing the work provided by the global network. (Italian Editor, Trade Publication)

Thus, as part of these re-scoping exercises firms began to ‘get rid of local clients, all the SMEs, just to focus on the city banks’ (English Partner, Global Law Firm). Importantly for our argument, these local clients were the ones who were most likely to enact those normative prescriptions towards long term personal relations, day to day partner led advice, and so on which have been described above (see Table V) and which clashed with the practices of English firms. Moreover, these kinds of clients were also more likely to seek advice from those ‘big personalities’, ‘big men’ (Mooney, 2002), or ‘trusted men’ (Sutton, 2006) who were at the heart of the highly personal and politicized networks of corporate relations which characterized the Italian economy. These men (and they were always men), as the demergers and defections described above suggest, were also the least likely to accept and conform to London-centric policies and practices. Thus, re-scoping reflects a complex interaction between market (pursuing particular legal activities firms are competent in) and institutional motivations (avoiding types of activities that whilst profitable exposed firms to high levels of complexity).

As firms focused on a select number of ‘30–40 core global clients’ (English Partner, Global Law Firm), this triggered a rebalancing of their portfolio of activities towards, in particular, banking and capital markets law. Capturing this shift in client profile,

one of our respondents recognized how 'Italian clients have shrunk over the last 5 years or so from 70 to 40% of our turnover. 70% of our clients are large banks and financial institutions' (English Global Managing Partner, Global Law Firm). This also emerges clearly from the quotes below which comment on the strategy of two different firms in our sample:

Talking about [English firm x] you can see it; they've shrunk their corporate practice quite considerably, from four partners to one. (English Partner, Global Law Firm)

I get the feeling [English firm y] may choose focus on the areas where they are really a significant player, like banking and finance, capital markets and dispute resolution. (Lind, 2009b)

Conversely, over the same period domestic specialisms such as employment, property, and corporate (including M&A) law, which are traditional areas of practice for a full-service law firm, declined in importance. Thus, for instance, Allen & Overy in 2009 lost its entire employment (Lind, 2009b) and environmental (Lind, 2009c) law practices as well as conducting a significant redundancy programme within its corporate department (Lind, 2009b). Additional indications of re-scoping are suggested by a historical comparison of the Chambers Annual Country Guides for Italy. These, on the basis of extensive client interviews, rank (in five bands) the reputation of firms within a range of different specialisms (Chambers, 2002, 2010). As such, they provide an indication of the significance of a law firm's activity within a number of different practice areas. The Chambers Guides for Italy reveal that, already in 2002, English firms enjoyed a leading position in banking and finance related domains, filling three of the top five slots in those particular rankings. This situation has persisted with English firms occupying similar positions in 2010. However, whilst in 2002 some English law firms, like Clifford Chance, occupied leading positions in corporate and M&A law, by 2010 no English firm was higher than in the fourth band. Whilst Chambers is only a proxy measure and does not capture the actual reduction in the size of these areas of practice, falls in reputation rankings corroborate our previous narrative, suggesting that over time our case study firms re-scoped and shifted their priorities away from domestic specialisms.

*Re-scaling.* Re-scaling involved at its most fundamental level a reduction in office size and numbers. As a result of the re-scoping exercise described above, the emphasis of our case study firms shifted from pursuing Italian domestic work to servicing the Italian leg of global financial transactions. This shift meant firms required fewer lawyers. Thus, Freshfields shrank from its apex of 120 lawyers in 2002 to 88 in 2011, Clifford Chance from 145 to 100, whilst over the same period Allen & Overy reduced its size by almost two thirds to a headcount of 64. One of our respondents provides direct confirmation of this re-scaling exercise:

If you look at the partner numbers between 2006 and say 2008 they lost something like 50% of the equity partners in Italy and they've reduced the firm down from

three to two offices and probably the number is about 50% of when I left. (English Partner, Global Law Firm)

Importantly, as hinted at in the quote above, such re-scaling processes had a geographical dimension. Firms shrank their Italian office footprint as they retreated towards Milan. Thus, Allen & Overy divested its Turin's office in 2006 (Moshinsky, 2006), whilst both Simmons & Simmons and Clifford Chance closed their Padua operations in 2007 and 2010, respectively (Ruckin, 2007b; Swift, 2010). These offices were located in Italy's industrial heartlands and made particular sense as part of a strategy of developing a nationwide presence that could service domestic transactions. In particular, if firms were to build their Italian corporate law practices they had to be close to their target clients, many of which were privately held SMEs with a regional base. However, as firms re-scoped their operations, these offices became increasingly redundant. Similarly, over the same period our case study firms downsized their Rome offices which had traditionally been equivalent in size and importance to Milan. Thus, as an example, between 2007 and 2009, Clifford Chance reduced its Rome office by 35 per cent against a more limited 8 per cent reduction in Milan (Lind, 2009a). As one interviewee noted: 'We've repositioned...we no longer have a Rome capital markets group, we no longer have a Rome corporate group' (English Partner, Global Law Firm). As we discuss below, this geographical rebalancing made particular sense as it corresponded with the rise of Milan as Italy's financial capital and key global city.

*Re-staffing.* Finally, the re-scoping and re-scaling exercises outlined above were tied to a rethinking of the profile of lawyers sought by English firms. The ensuing re-staffing processes reflected the new strategic focus on banking and finance law, but were also a response to the difficulties encountered when dealing with traditional Italian lawyers. Specifically, the star practitioners or 'big personalities' that were targeted in the original mergers for their expertise and client networks, never considered themselves as employees of the firm and acted independently. As described above, these practitioners reproduced an Italian professional logic and were a source of significant institutional complexity for our case study firms. Consequently, as such individuals left, or in some cases were actively pushed out, they were replaced with a new generation of internationally minded recruits who were more sympathetic to the English professional logic and its related practices. For instance, firms became much more systematic in targeting lawyers who had some prior exposure to Anglo-Saxon work cultures and approaches to lawyering. Of particular importance here, besides evidence of overseas work or study experience, were the more commercially and internationally oriented degree programmes which were being developed by private elite universities. The assumption was that these individuals were more likely to understand and appreciate the practices of English firms and were, therefore, less likely to reproduce institutional complexity. Thus, our case study firms used their re-scoping exercises as an opportunity to re-staff themselves with a new type of internationally and organizationally focused practitioner. The following quotes speak clearly to this theme:

Today, if we look at the talent we are trying to attract, we're trying to attract people that definitely want to be in an international law firm. That definitely understand

things that we're talking about, and there's not many of them, but we're looking for those people. That was unheard of a few years ago. And it is that kind of lawyer to be honest that we need to breed now. (English Partner, Global Law Firm)

It was a younger demography, it was people who had experience of having worked in Anglo Saxon firms, often relatively recently, either because we recruited them from Anglo Saxon firms or they'd maybe, you know a lot of Italian lawyers will have worked in the US for a year or two and then come back to Italy and found it frustrating. Not all of them but some of them found the change frustrating, they liked the kind of work they'd been doing in New York, didn't like so much the kind of work they were doing in Italy. And the kind of position they had in those firms was not always, you still had the great man whoever it was at the top. (Italian Partner, Global Law Firm)

### **'Field Relocation' and the Role of 'Receptive' Sub-Fields**

The three organizational tactics described above formed an effective response to complexity since, taken together, they facilitated a 'field relocation' strategy. Specifically, firms used these tactics to enable them to relocate, that is, move geographically, and focus the majority of their activities on a new and more 'receptive' sub-field which had emerged in the city of Milan during the early 2000s. Following Quirke (2013), we refer to this as a sub-field because, whilst it shared the same regulatory environment as the broader Italian legal field, it was populated by a distinctive set of actors who ultimately produced less complexity for our case study firms. In particular, as we describe below, this sub-field was more 'receptive' as the actors populating it were more open to alternative institutional logics, prescriptions, and practices. By open to alternatives we mean more willing to accommodate the prescriptions of alternative logics. In our case this refers to the English professional logic which, as described above, was perceived to be illegitimate in the traditional Italian legal firms but was less so in this new Milan sub-field. Below, we examine how this sub-field emerged and how it was more 'receptive'.

The emergence of the Milanese sub-field was, in the first instance, the result of the cumulative effects of a series of domestic and European reforms which commenced in the late 1990s, but began to have notable effects in the first decade of the 2000s. Specifically, an exogenous jolt (Meyer, 1982) provided by the process of Europeanization and the creation of the single market inspired in Italy a series of neo-liberal reforms, including the privatization of state owned enterprises and the reform of banking regulations (Pammolli et al., 2007). Privatizations are particularly relevant to our story not only because the process itself required professional expertise, but also because they created a number of new large corporate entities with increasingly sophisticated and international legal requirements. Particularly noteworthy here were the mergers between Unicredit and German bank HVB in 2005 (with the addition of Capitalia in 2007), and between SanPaolo and Banca Intesa in 2007 which created two of the largest banks in Europe (Illman, 2006; Ruckin, 2007a). These banks were large, headquartered in Milan, international in their orientation, and focused on



shareholder value. Furthermore, they regularly engaged in the sorts of financialized operations, such as securitizations, project financing, and private finance initiatives, in which English firms had significant experience. As such, privatization created a new market which English law firms were ideally placed to serve (*The Lawyer*, 2000). A further key development was the privatization in 1998 of the Milan stock exchange (La Borsa Italiana) which then merged in 2007 with the London Stock Exchange, further integrating Milan within global capital markets. Thus, towards the end of our period of study, Milan had finally 'shaken off its industrial past and gained a reputation as the country's economic and financial centre' (*The Lawyer*, 2000). This centrality in the world of finance rendered Milan a particularly 'receptive' sub-field location where English firms could experience reduced complexity.

In particular, the Milanese sub-field was increasingly populated by a new category of transnationally oriented client with rather different legal requirements and expectations to those of the privately and/or family owned SMEs typical of industrial centres such as Padua and Turin, or of the public sector clients which dominated the Rome market. These clients naturally looked to English law firms for their expertise in financial transactions and, importantly for our argument, adopted a different approach to professional relationships, as they procured legal services on a transactional basis through competitive tendering processes (beauty parades); something which is well aligned with the practices of our case study firms. Hence, client expectations of personalized, informal, and long term approaches to professional relationships, which as discussed above had challenged the legitimacy of English law firms in Italy, were somewhat diminished in the Milan sub-field. As one commentator noted:

Italy's nascent PFI market offers lucrative work possibilities for UK law firms, being one of the few practice areas in which instructions flow from competitive tender processes, rather than personal contacts. It is also a practice area in which UK firms have superior experience to their Italian rivals. (O'Connor, 2004)

Thus, Milan was a more 'receptive' location as clients here were more open to the practices of English firms. As a result, English firms also became a powerful force shaping the evolution of legal practice in the Milan sub-field.

However, it was not just the openness of clients to the practices of English firms that rendered Milan more 'receptive'. Practitioners in this sub-field had also become increasingly distinct from their colleagues in the wider Italian legal field. In particular, practitioners in Milan recognized how English law firms brought with them a new organizational template based on scale, specialization, and standardization that was better aligned with the needs and expectations typical of transnational clients. Indeed, it was the perceived threat posed by English firms that persuaded in the late 1990s three traditional superstar lawyers, Professor Franco Bonelli in Genova, Sergio Erede in Milan, and Professor Aurelio Pappalardo in Bruxelles, to combine their own highly profitable boutique firms to create, in Milan, Bonelli, Erede and Pappalardo (BEP), which is now Italy's largest law firm. Whilst this is the most iconic example of change, many major Italian firms, like Gianni Origoni Associati or Studio Legale Chiomenti, also developed with reference to the Anglo-Saxon model of practice. In the words of one of our respondents, a number of Italian firms pursued collaborations with global

firms and only 'broke up their alliances after they had learned what they needed, in terms of competences, business models, and commercial practices, from their English partners' (Italian Consultant to the Legal Profession). One result of this was a process of consolidation. Whilst in the mid-1990s very few firms in Italy had more than 10–15 lawyers, by 2011 over 45 firms exceeded a headcount of 50 (Top Legal, 2012). Thus, in Milan at least, the large firm had become an increasingly legitimate structure for professional practice. In this context, as part of their 'field relocation' strategy, English firms were able to exploit, through the re-staffing tactics described above, the growing pool of practitioners who were increasingly attuned and sympathetic to the realities of large scale legal practice.

Moreover, the Milan sub-field was also populated by a new type of university. Specifically, new elite law schools began to develop their curricula with reference to the needs of large corporate law firms. Most notable in this regard is Bocconi University School of Law which was established in 2006. This school, like Cattolica which is also based in Milan, developed a business oriented law degree that brought with it a rethinking of traditional Italian legal education. Changes included a shift in curricula from historical and philosophical subjects towards corporate specialisms, the introduction of English language courses, a focus on the development of transferable skills, and the introduction of extra-curricular activities to boost employability (Bocconi, 2014). During the same period, academic training in the UK or USA became increasingly institutionalized as a requirement for aspiring elite lawyers (Faulconbridge et al., 2012). In this context, global law firms quickly developed relationships with these new universities in order to exploit but also help develop changes which were conducive to their work. As one of our interviewees noted:

Some Universities are making efforts to close this gap and to give these guys some more practical experience. For instance, here in Milan, the Law School of Bocconi University prepares students just for this kind of work, so at the end of their 4 years in school they take some credits, spending time in firms like ours. (Italian Partner, Global Law Firm)

The emergence of these new commercially focused universities is important because it further ensured that the Milanese sub-field was populated with a new type of bicultural or 'cosmopolitan' (Smets et al., 2012, p. 888) professional who was familiar with and open to the logics and practices of English law firms. Hence, in line with the findings of others (Battilana and Dorado, 2010; Smets et al., 2012), our case study firms sought to minimize complexity by targeting in their recruitment policies specific universities that were more aligned with their particular approach to legal work. As one interviewee put it:

Bocconi has a more commercial orientation which is perhaps more suited for a firm like ours... Bocconi speaks the same language as international law firms. This is a difference, which I notice, between Bocconi and candidates from other universities, who may also be excellent from a purely technical point of view... students who graduate at Bocconi are already more oriented towards the work of

international law firms. Cattolica in Milan is also increasingly making similar moves. (Italian Human Resources Officer, Global Firm)

We also see indications of a recursive process at work. English firms, through their re-staffing tactics, exploited the new labour market conditions available in the Milan sub-field, but through their own presence and growing importance as prospective recruiters, were also able to influence the development of academic programmes and curricula in ways that were beneficial to them.

Meanwhile, although national regulatory institutions remained disconnected from if not hostile to large scale practice, in 2004 English law firms joined forces with large Italian practices to create in Milan their own association – Associazione Studi Legali Associati (ASLA). ASLA, which was founded and is still led by former Freshfields partner Giovanni Lega, has over the years participated in a number of debates on the reform of the legal services market and engaged in processes of institutional entrepreneurship to help its members manage some of the regulatory tensions that continue to be generated by the Italian institutional context (Muzio and Faulconbridge, 2013). The development of best practices in terms of how to deal with ‘employed’ lawyers (Asla, 2014), which as discussed are not legally recognized in the Italian system (Table IV), and the introduction of simulations to reduce the number of court hearings as part of the qualification requirements of trainees, are examples of this role. As such, ASLA has actively tried to change existing rules in favour of its membership so as to reduce the regulatory pressures faced by large firms operating in the Italian institutional context.

The combined effects of ASLA, the growing numbers of practitioners attuned with the realities of large scale legal practice, the development of business oriented universities, and the increasing presence of transnational corporate clients, was to produce in Milan in the 2000s a more ‘receptive’ sub-field in which English firms could survive and even flourish. Table VI summarizes how this ‘receptivity’ resulted from important developments in relation to the four key actors that populated the Milanese sub-field. Thus, by relocating to Milan, English firms were able to exploit the opportunities offered by this new sub-field, increasing their legitimacy and minimizing the complexity they experienced.

## DISCUSSION

Our objective in this paper was to examine how law firms, as a distinctive type of MNE, experience and respond to institutional complexity as they internationalize. We revealed how these MNEs are confronted by a distinctive form of spatial complexity which relates to differences between home and host country variants of the same logic, in this case professionalism. In this context, we show how these organizations were able to respond to complexity at the field level through a ‘field relocation’ strategy as they refocused their operations around a more ‘receptive’ sub-field which had emerged in the city of Milan and which their activities in turn helped to shape and consolidate. As such, we make a series of contributions.

First, we develop the new concept of ‘field relocation’ as a strategic response to institutional complexity. This is a field level strategy, which in our case is supported

Table VI. Key actors in the Milan sub-field

<i>Actors</i>	<i>Nature and logic in Italian legal field</i>	<i>Nature and logic in Milan sub-field</i>	<i>Differences in logics that lead to reduced complexity</i>	<i>Illustrative quotes</i>
Practitioners	Small scale (often family based) practices Low levels of specialization/ formalization	Emergence of large Italian Professional Services Firm Higher degrees of specialization and formalization	Large law firm with its more managed characteristics accepted as legitimate and useful form	<p>If you want to fight the battle with Clifford Chance and Freshfields then you have to increase your critical mass. (Callister, 1999)</p> <p>Bruno Gattai, Simmons &amp; Simmons’ head of corporate in Milan, knows the system will have to change. ‘Anglo-Saxon firms have helped to change the structures of Italian firms’, he says. ‘Italy is now a very competitive market, Italian firms must change if they want to secure the best lawyers and this is happening step by step, little by little’ (itali e tu grimaldi – <i>Legal Week</i> 2002)</p>
Clients	Privately held companies State controlled organizations	MNEs (global banks especially) and publically listed companies	Transactional relationships accepted, and law firm critical mass and specialization recognized as an asset	<p>If you look at our Milan client profile this is undistinguishable from the rest of our global network. (Partner, Top International Firm)</p> <p>An Italian firm can no longer do all the work for an Italian client’, Immordino says. ‘Fifteen years ago a local practice could have done 85% of an Italian company’s work.’...He adds: ‘Now clients are becoming more sophisticated and relationships are becoming more institutional. It’s a long process, but that’s where it’s trending.’ (Lloyd, 2008: Italy: Jostling for position (<i>Legal Week</i>, 2008)</p>
Professional associations	Focused on individual professionals	Creation of ASLA as the representative	Provides a counter balance to national	ASLA brings together all law firms, who sharing an associated approach to practice, wish to debate common issues and

Table VI. *Continued*

<i>Actors</i>	<i>Nature and logic in Italian legal field</i>	<i>Nature and logic in Milan sub-field</i>	<i>Differences in logics that lead to reduced complexity</i>	<i>Illustrative quotes</i>
	and hostile to large scale practices	association for large law firms	associations and their focus on small practices. Promotes the legitimacy and merits of large scale practice	develop new innovative organizational solutions. ASLA lobbies for the development of new organizational models and for the modernization of law firms. ( <a href="http://www.aslaitalia.it/asla/">http://www.aslaitalia.it/asla/</a> )
Universities	Traditional law degrees in public universities Theoretical, domestic and generalist orientation in degree programmes	Elite privately owned universities increasingly applied, international and specialist orientation in degree programmes	Commercial awareness and specialization promoted alongside theoretical expertise	We began to develop closer partnerships with the career offices of certain Universities. Here in Milan Bocconi is the most organized from this point of view. It has a very efficient placement office and it incorporates mandatory work experience periods as part of its undergraduate degrees, something which in Italy no one else does.

and enabled by three internal organizational tactics: re-scoping, re-scaling, and re-staffing. These tactics allow an organization to reconfigure itself so as to target a new and more favourable field location. 'Field relocation' is rendered possible by the uneven and dynamic nature of fields (e.g., Fligstein and McAdam, 2012; Greenwood et al., 2011; Quirke, 2013) which presents organizations with locations which are more or less 'receptive' to their logics and practices. Thus, 'field relocation' is distinct from other responses noted in the literature such as buffering (e.g., Oliver, 1991), decoupling (e.g., Boxenbaum and Jonsson, 2008), compartmentalization (e.g., Binder, 2007; Hamilton and Gioia, 2009), hybridization (e.g., Battilana and Dorado, 2010; Lounsbury and Crumley, 2007; Pache and Santos, 2013), and situated improvisation (e.g., Smets et al., 2012) in which complexity is mainly addressed within the organization itself. In particular, compared to these well documented responses, 'field relocation' addresses complexity externally by changing the organization's geographical location in the broader field it inhabits. As such 'field relocation' develops the limited literature on field level responses to complexity in a number of ways. For instance, it shows how the 'institutional distancing' described by Smets et al. (2012) can have distinctive geographical dimensions, as organizations move to more 'receptive' locations where actors are more supportive of their logics and where, accordingly, their activities are likely to enjoy higher levels of legitimacy. It also develops Quirke's (2013) analysis by showing how organizations can actively seek to exploit the patchy and uneven topography of fields through their own location strategies.

Second, we develop the concept of 'receptivity'. Whilst this has been previously deployed to refer to the likelihood of organizations conforming to pressures emanating from different field members (Delmas and Toffel, 2008), here we use it to indicate the openness of a particular field location to alternative institutional logics, prescriptions, and practices. In our case, the 'receptivity' of the Milan sub-field was connected to a series of broader developments in the Italian political economy which led from the late 1990s to the rise of Milan as an international financial centre and to its integration into the global economy. This increased the likelihood that the Milan sub-field would become more 'receptive' to the practices of the global organizations it increasingly hosted. Whilst more work to further define the concept of field 'receptivity' is needed, our contribution points to two key characteristics. First, 'receptivity' is a dynamic and evolving condition, as it is connected to broader field level developments (Fligstein and McAdam, 2012). Importantly, this relates to the suggestion that 'over the longer term, institutional complexity unfolds, unravels and re-forms, creating different circumstances to which organizations must respond' (Greenwood et al., 2011, p. 319) and highlights the need to examine how field level responses to complexity exploit opportunities that are temporally bound (Faulconbridge and Muzio, 2014). In our case this relates to the way that 'field relocation' only became possible as a strategy in the mid-2000s when, as a result of the exogenous jolts (Meyer, 1982) of Europeanization and re-regulation, the Milan sub-field became increasingly established. Second, 'receptivity' is also relative to other locations within a field which may generate greater degrees of complexity and lesser prospects for success. This is exemplified in our case study by the Milanese sub-field being more 'receptive' than other locations such as Padua or Rome. This highlights the importance of examining the



way 'receptive' sub-fields are associated with particular locations within a field and how firms might strategically exploit such locations.

Third, we advance the emerging body of work that focuses on the geography of institutional fields (e.g., Greenwood et al., 2010; Lounsbury, 2007; Marquis et al., 2007). This literature has long recognized the importance of the difference between peripheral and core positions. Thus, for instance, we can expect actors in peripheral positions to draw less benefits from membership of a particular field (Fligstein and McAdam, 2012), to be more aware of alternatives and committed to change (Greenwood and Suddaby, 2006a, 2006b), and to be better placed to side-step pressures for conformity which are less avoidable in core positions (Quirke, 2013). This differentiation between core and periphery positions and their respective structural characteristics is what Quirke (2013) refers to as the 'topography' of fields. Our case study goes further and suggests the geography of fields and sub-fields, in terms of their association with particular geographical locations, also matters. Thus, for instance, it mattered that the specific sub-field that our case study firms targeted was located in the city of Milan, as a specific geographical place with its own distinctive history, culture, and institutions. In particular, it mattered that Milan as a rising global city and financial centre was increasingly integrated in the global economy and, as such, was populated by a range of actors who were different from the rest of the Italian legal field. Thus, following Lounsbury's (2007) seminal contribution, our analysis by examining the geographical variability of 'receptivity' within fields highlights the importance of locating fields and their sub-fields. This is important because, as the 'receptivity' of the Milan sub-field indicates, institutional prescriptions are exercised in patchy and uneven ways within different field locations. As such, organizations must take account of the characteristics and opportunities offered by different locations within fields as part of their attempts to manage and reduce complexity.

Fourth, we begin to recognize how 'field relocation' as a response to complexity may be characterized by a degree of recursivity (on which, see Smets et al., 2012). As Greenwood et al. (2011, p. 357) note, little is known about 'how organizational responses have feedback effects'. The 'field relocation' strategy analysed here provides an indication of at least two forms of feedback effects. First, we have recursive effects between the various organizational tactics through which 'field relocation' is accomplished. Our case study revealed the importance of three such tactics: re-scoping, re-scaling, and re-staffing. These tactics are potentially characterized by an element of concatenation (Smets et al., 2012; Tilly, 2001) in that all three were required for English firms to effectively deploy their 'field relocation' strategy. To give one example, in our case at least, re-scoping necessitated re-scaling. When our case study firms decided to re-scope to prioritize certain types of legal work and clients, re-scaling also became necessary as these firms shed lawyers who were unsuited to their new market focus. Similarly, re-scoping and re-scaling encouraged re-staffing as a new profile of lawyer with different skills and competences was now required. As such our case suggests a number of feedback effects and interdependencies between the different organizational tactics associated with 'field relocation'. Second, recursivity also appears along another dimension. 'Field relocation' was facilitated by field level changes which were already in train but which, in turn, our case study firms helped to shape and consolidate. Thus, in our case study, a set of

developments in the Italian political economy, such as the exogenous jolts (Meyer, 1982) of Europeanization and re-regulation, facilitated the emergence of Milan as a more 'receptive' sub-field. Our case study firms exploited the opportunities created by this structural change through their 'field relocation' strategies. However, 'field relocation' not only reduced the complexity our firms experienced but also appeared to contribute to the development of this new sub-field. Thus, for instance, our firms brought with them a set of new labour market demands which entrepreneurial universities like Bocconi and Cattolica could target with their more commercially focused courses and programmes. Meanwhile, English firms also provided a reference point for ambitious practitioners and local firms like BEP as they remodelled themselves to respond to new threats and opportunities. Furthermore, our case study firms cooperated with some of their Italian counterparts to create a new dedicated association – ASLA – to represent their interests and lobby for institutional change. As such our case study indicates that a recursive relation between organizational responses and field level dynamics is important.

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## NOTE

- [1] Lock-step is a partner remuneration model, particularly prevalent in English law firms, whereby a partner's share of the firm's profits is tied to his or her seniority (defined as number of years as a partner). Every year a partner is awarded additional points on the equity scale (and accordingly an entitlement to a bigger share of the profits), until they reach the 'top of equity' ceiling. This contrasts with the 'eat what you kill' model, favoured by Italian law firms, where partner remuneration is tied much more closely to individual billings.

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